DEBT MANAGEMENT

The County uses several financing instruments to fund its capital needs. Each method of leveraging has specific and secure sources identified and used for the debts repayment.

The County employs the *early recognition option* for payments of principal and interest when due early in the subsequent year for financial reporting and budget purposes to ensure resources are both available and measurable when payments are due.

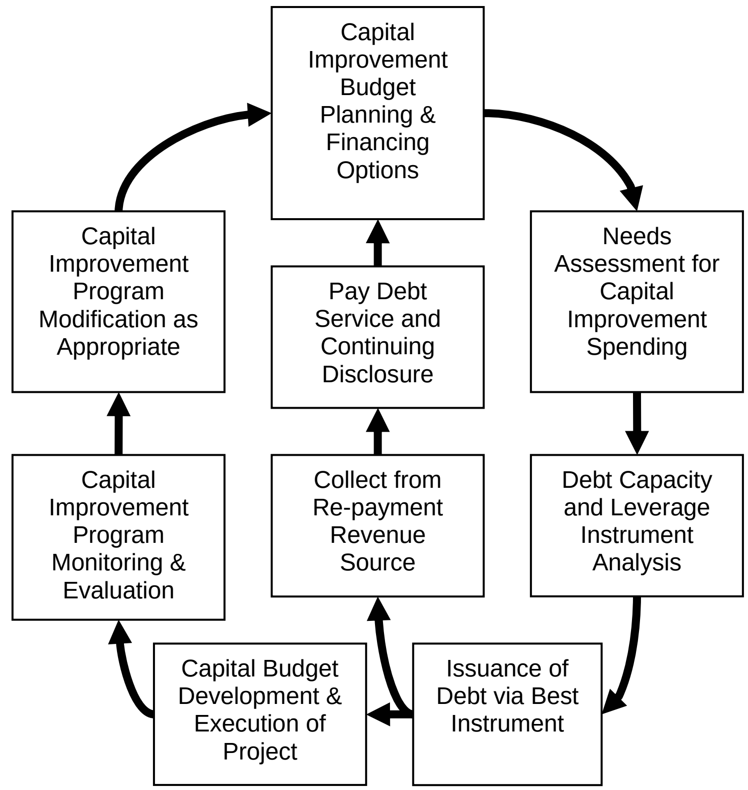
FINANCING INSTRUMENTS

There are numerous financing instruments available to counties in the State of Arizona, including:

- General Obligation Bonds
- Revenue Bonds
- Improvement Bonds
- Special Assessment Bonds & Rural Development Loans
- Community Facility Districts
- Certificates of Participation
- Lease Purchase
- Capital and Operating Leases
- Pay-as-you-go and
- Interfund Borrowing

A general explanation of all these instruments and details on how the County utilizes them is included in this section.

FINANCING A CAPITAL PROJECT



The flow chart above illustrates the ground work to initiate a routine and comprehensive analysis of the County's debt capacity to provide assurance that the amount of debt issued is affordable, cost-effective and promotes an appropriate balance between the County's capital needs and its ability to pay for them today and through the debts maturity.

DEBT LIMITATION

Bonded indebtedness of local municipalities is subject to a two-tiered constitutional debt limit. (Arizona Constitution, Article 9, Section 8; June 2008)

Under Arizona law, counties, cities, towns, school districts and other municipalities may issue general obligation bonds up to 6% of the jurisdiction's net secondary assessed valuation without voter approval. Voter approval is required before issuing over the 6%.

With voter approval cities and towns may issue general obligation bonds up to 20% of the jurisdiction's net secondary assessed valuation for supplying the city or town with water, artificial light or sewers when this infrastructure will be owned and operated by the city or town; and for the acquisition and development of open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities, and streets and transportation facilities.

With voter approval, counties and school districts may issue general obligation bonds up to 15% of the jurisdiction's net.

Special Taxing Districts formed under Arizona Revised Statutes Title 48, have the same and some have further restrictions than set forth in the Arizona Constitution.

The *Library* (ARS 48-3904) and *Jail* Districts both are consistent with the County's debt limitation of 6%. The *Flood Control* (ARS 48-3619) and *Heath* (ARS 48-2217) Districts have a lower debt limitation of 5% of the jurisdictions net secondary assessed valuation.

The following tables illustrate the **County's** compliance with the constitutional debt limitation. The County has $87 million or 100% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $217 million or 100% of 15% borrowing capacity available that requires prior voter approval.

Yuma County
Constitutional General Obligation Bonding Capacity

Without Prior Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
6% Constitutional Limitation	86,980,678
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	**$ 86,980,678**

Yuma County
Constitutional General Obligation Bonding Capacity

Subject to Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
15% Constitutional Limitation	217,451,694
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 217,451,694**

DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Library District's** compliance with the constitutional debt limitation. The Library District has $37 million or 44% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $168 million or 77% of 15% borrowing capacity available that requires prior voter approval.

Library District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
6% Constitutional Limitation	86,980,678
Less: General Obligation Bonded Debt Outstanding	(49,960,000)
Plus: GO Fund Balance Restricted for Repayment	917,749
Unused 6% Limitation Borrowing Capacity	**$ 37,938,427**

Library District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
15% Constitutional Limitation	217,451,694
Less: General Obligation Bonded Debt Outstanding	(49,960,000)
Plus: GO Fund Balance Restricted for Repayment	917,749
Unused 15% Limitation Borrowing Capacity	**$ 168,409,443**

The following tables illustrate the **Jail District's** compliance with the constitutional debt limitation. The Jail District has $87 million or 100% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $217 million or 100% of 15% borrowing capacity available that requires prior voter approval.

The Jail District was approved by voters in 1995 to be supported by a transaction privilege (sales) tax, rather than a property tax. For that reason, the Jail District has only issued revenue bonds secured and supported by the sales tax, rather than property taxing authority.

Jail District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
6% Constitutional Limitation	86,980,678
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	**$ 86,980,678**

Jail District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
15% Constitutional Limitation	217,451,694
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 217,451,694**

DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Flood Control District's** compliance with the constitutional debt limitation. The Flood Control District has $65 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and $197 million or 100% of 15% borrowing capacity available that requires prior voter approval.

Flood Control District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2008/09 Secondary Assessed Valuation	$1,292,039,453
5% Constitutional Limitation	64,601,973
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	**$ 64,601,973**

Library District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2008/09 Secondary Assessed Valuation	$1,292,039,453
15% Constitutional Limitation	193,805,918
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 193,805,918**

The following tables illustrate the **Health District's** compliance with the constitutional debt limitation. The Health District has $73 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and $217 million or 100% of 15% borrowing capacity available that requires prior voter approval.

The Health District was approved by the Board of Supervisors in 2005 to be supported by a transaction privilege (sales) tax, rather than a property tax. For that reason, the Health District generally will issue revenue bonds secured and supported by the sales tax, rather than property taxing authority.

Health District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
5% Constitutional Limitation	72,483,989
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	**$ 72,483,989**

Health District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2008/09 Secondary Assessed Valuation	$1,449,677,959
15% Constitutional Limitation	217,451,694
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 217,451,694**

DEBT BURDEN

The General Obligation Bonded Debt Ratios are measurements of the relationship between the debt of the county supported by its property tax base. The tax base is represented by the net secondary assessed valuation (statutory formula applied by the County Assessor) and the full cash value (the assessed value adjusted to reflect market value). Net debt is also compared to population to determine net debt per capita.

Yuma County
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 218,810.	Secondary Assessed Valuation $1.45 Billion	Full Cash Value $13.4 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2009	$ 0	0%	0%

Library District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 218,810.	Secondary Assessed Valuation $1.45 Billion	Full Cash Value $13.4 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2009	$ 224.13	3.4%	.37%

Jail District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 218,810.	Secondary Assessed Valuation $1.45 Billion	Full Cash Value $13.4 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2009	$ 0	0%	0%

Flood Control District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 218,810.	Secondary Assessed Valuation $1.29 Billion	Full Cash Value $12.6 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2009	$ 0	0%	0%

Health District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 218,810.	Secondary Assessed Valuation $1.45 Billion	Full Cash Value $13.4 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2009	$ 0	0%	0%

GENERAL OBLIGATION BONDS

General Obligation (GO) Bonds are secured by the issuer's general taxing power. As referenced in ARS, Title 35, Chapter 3, the bond security of GO bonds is the taxing power of the state or local government. The County is authorized to levy property taxes or other unrestricted revenue streams, such as sales taxes to pay the general obligation bond payments (principal & interest). Due to this security, interest rates on GO bonds are generally lower than other public securities due to this security.

The voters within the Yuma County Library District on November 8, 2005 authorized the issuance of general obligation bonds up to the amount of $53,765,000 on behalf of the Yuma County Library District for the construction of new library facilities. The first bond segment was issued on March 8, 2006 in the amount of $10,050,000 at varying interest rates ranging from 4.0 to 5.5% over the life of bonds. The final segment of the bonds was issued on July 16, 2007 in the amount of $43,715,000 at varying interest rates ranging from 4.5 to 5.5% over the life of bonds. Both of these bonds mature on July 1, 2035.

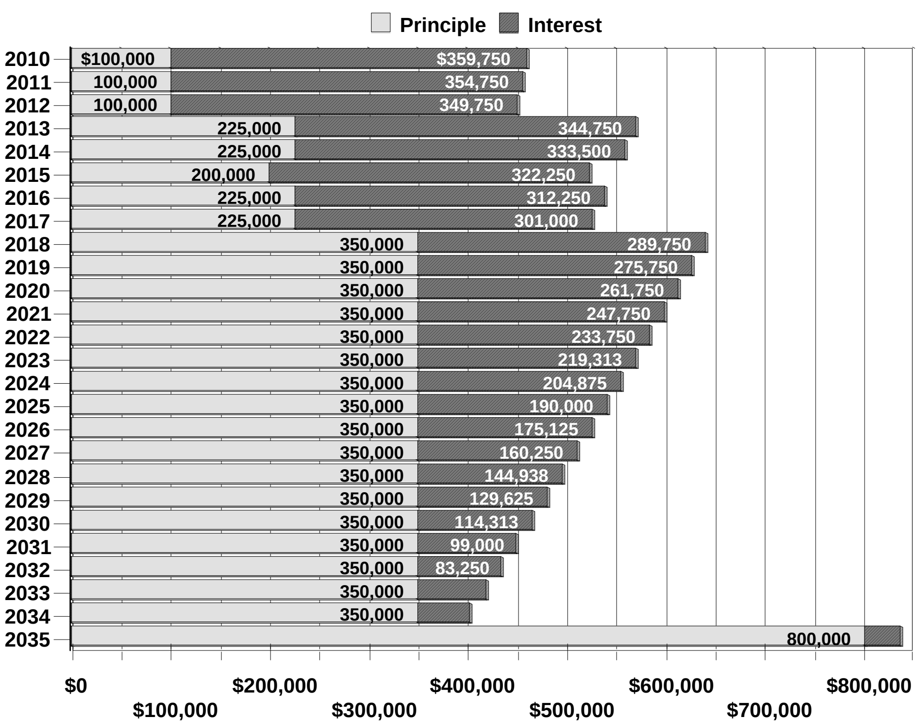
As of June 30, 2009 the county will have $49,960,000 in principal outstanding of general obligation bonds after principal payments on both these bonds have been made.

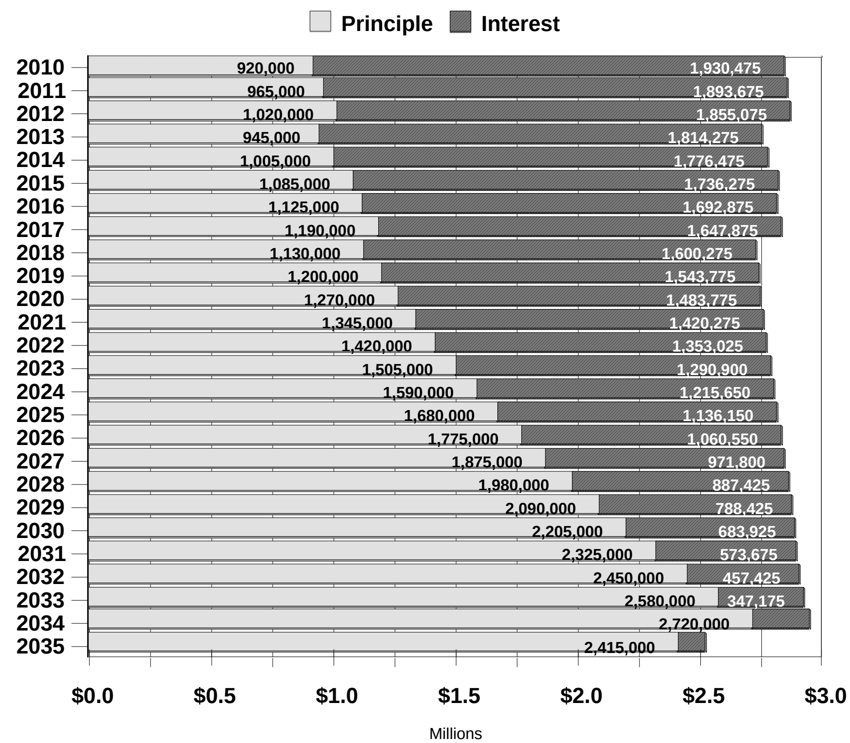
Yuma County Library District
General Obligation Bonds – Series 2006
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	5.0%	$ 100,000	$ 359,750	$ 459,750
2011	5.0%	100,000	354,750	454,750
2012	5.0%	100,000	349,750	449,750
2013	5.0%	225,000	344,750	569,750
2014	5.0%	225,000	333,500	558,500
2015-19	4.5-5%	1,350,000	1,501,000	2,851,000
2020-24	4.5-5%	1,750,000	1,167,438	2,917,438
2025-29	4.5-5%	1,750,000	799,938	2,549,938
2030-35	4.5-5%	2,550,000	451,812	3,001,812
	Total	$8,150,000	$5,662,688	$13,812,688

Yuma County Library District
General Obligation Bonds – Series 2007
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	5.0%	920,000	1,930,475	2,850,475
2011	5.0%	965,000	1,893,675	2,858,675
2012	5.0%	1,020,000	1,855,075	2,875,075
2013	5.0%	945,000	1,814,275	2,759,275
2014	5.0%	1,005,000	1,776,475	2,781,475
2015-19	4.5-5%	5,730,000	8,221,075	13,951,075
2020-24	4.5-5%	7,130,000	6,763,625	13,893,625
2025-29	4.5-5%	9,400,000	4,844,350	14,244,350
2030-35	4.5-5%	14,695,000	2,402,030	17,097,030
	Total	41,810,000	31,501,055	73,311,055





DEBT SERVICE

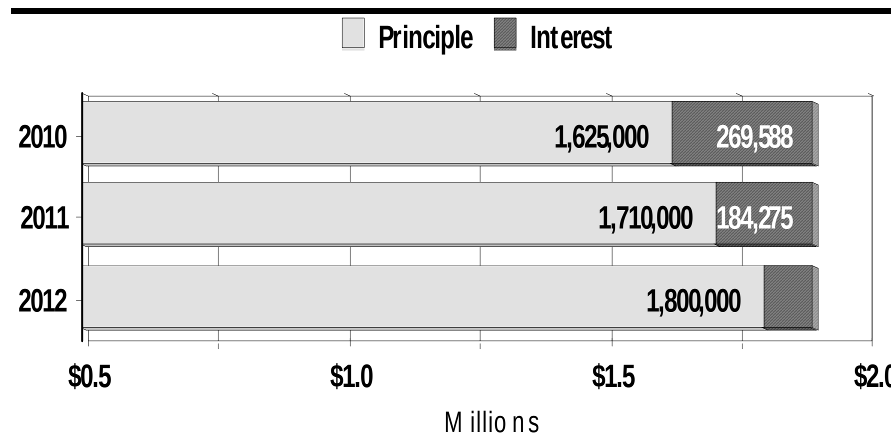
REVENUE BONDS

Revenue bonds are long-term debt instruments that are retired by specific dedicated revenues. Revenue bonds are designed to be self-supporting through user fees or other special earmarked revenues. The general taxing powers of the jurisdiction are not pledged. The debt created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue producing enterprise, from special taxes, or from contract leases or rental agreements. County revenue bonds do not burden the constitutional or statutory debt limitation placed on the County because they are not backed by the full faith and credit of the issuer. The underlying security is the only revenue stream pledged to pay the bond principal and interest.

The Yuma County Jail District Revenue Bonds of 1996 were issued to finance the expansion of Yuma County's correctional facilities. The bonds are generally callable with interest payable semiannually. The obligations are secured by the pledge of net revenues from County Maintenance of Effort Payments and transaction privilege (sales) tax approved by the County's voters on May 16, 1995. The bond resolution requires the County to use a portion of the proceeds to establish and maintain a bond reserve fund, which the County has done by placing $950,000 of the proceeds in an escrow account in the custody of a trustee. At June 30, 2009, Yuma County had revenue bonds principal outstanding in the amount of $5,135,000.

Yuma County Jail District
Revenue Bonds – Series 1996
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	5.30%	1,625,000	269,588	1,894,588
2011	5.30%	1,710,000	184,275	1,894,275
2012	5.30%	1,800,000	94,500	1,894,500
	Total	$5,135,000	548,363	5,683,363

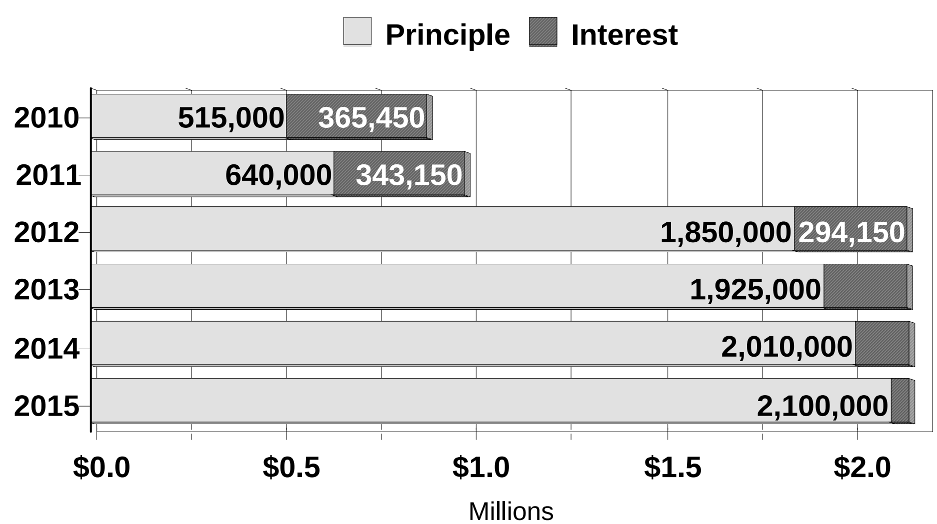


REVENUE BONDS (CONCLUDED)

The Yuma County Jail District Revenue Bonds of 2007 were issued to assist in financing the expansion of Yuma County's correctional facilities. The bonds are generally callable with interest payable semiannually. The obligations are secured by the pledge of net revenues from County Maintenance of Effort Payments and transaction privilege (sales) tax approved by the County's voters on May 16, 1995. The bonds were issued on April 1, 2007 in the face amount of $10,000,000. The bonds mature on or before July 1, 2015 as the voter approved transaction privilege (sales) tax expires, unless it is extended prior to its sunset date, on December 31, 2015. For fiscal year ending June 30, 2009, the projected bonds principal outstanding is $9,040,000.

Yuma County Jail District
Revenue Bonds – Series 2007
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	3.75%	515,000	365,450	880,450
2011	4.00%	640,000	343,150	983,150
2012	4.00%	1,850,000	294,150	2,144,150
2013	4.00%	1,925,000	218,650	2,143,650
2014	4.00%	2,010,000	139,950	2,149,950
2015	4.00%	2,100,000	49,875	2,149,875
	Total	$9,040,000	$1,411,225	$10,451,225



IMPROVEMENT BONDS

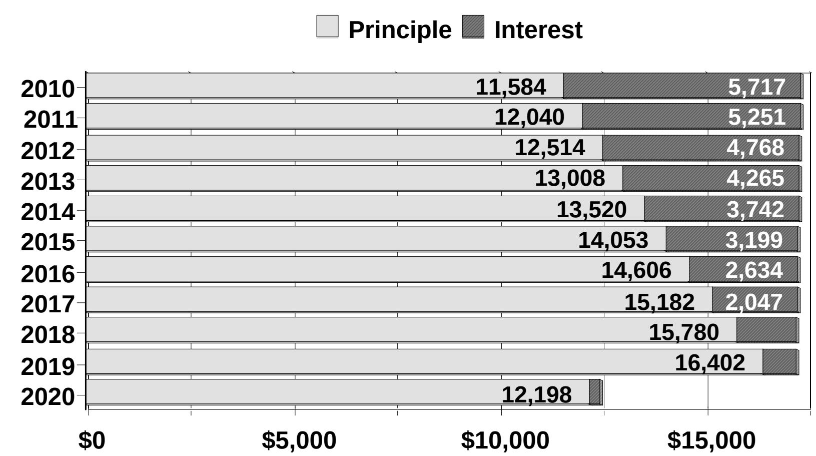
Improvement bonds, sometimes referred to as district bonds, fund projects benefiting an isolated group of property owners. They are secured by pledges of revenues from special assessments levied against benefiting property located within the specific district. This financing approach optimizes assurance that those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. Such a district can only be created by petition of the Board of Supervisors by property owners within the district areas. These bonds are generally callable with interest payable semiannually.

Improvement Districts are formed according to Arizona statute to fund projects benefiting an isolated group of property owners. The Yuma County Board of Supervisors sits as the Board of Directors of the Improvement Districts. These Improvement Districts Capital construction projects are accounted for in the Capital Projects and are considered Blended Component Units for financial reporting purposes. However, each is a separate legal entity. Loans have been secured by pledging of revenues from special assessments levied against benefiting property located within the specific district. This financing approach optimizes assurance those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. These bonds are generally callable with interest payable semiannually. The proceeds of these loans were used for construction purposes.

In fiscal year ended June 30, 2001, the County entered into a loan agreement with the United States Department of Agriculture through its Water Infrastructure Financing Authority (WIFA) for water system improvements. The WIFA loan had a principal amount of $261,555 and was fully drawn down as of June 30, 2005. Interest payments are made semi-annually and principal payments are made annually. The amortization schedule has the final payment on January 1, 2022. For fiscal year ending June 30, 2009, the projected WIFA loan principal outstanding will be $150,887.

El Prado Estates Improvement District No. 97.10
WIFA Loan – Series 2001
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	**Interest**	Total
2010	4.75%	11,584	5,717	17,301
2011	4.75%	12,040	5,251	17,291
2012	4.75%	12,514	4,768	17,282
2013	4.75%	13,008	4,265	17,273
2014	4.75%	13,520	3,742	17,262
2015-20	4.75%	88,221	10,364	98,585
	Total	$ 150,887	$ 34,107	$ 184,994

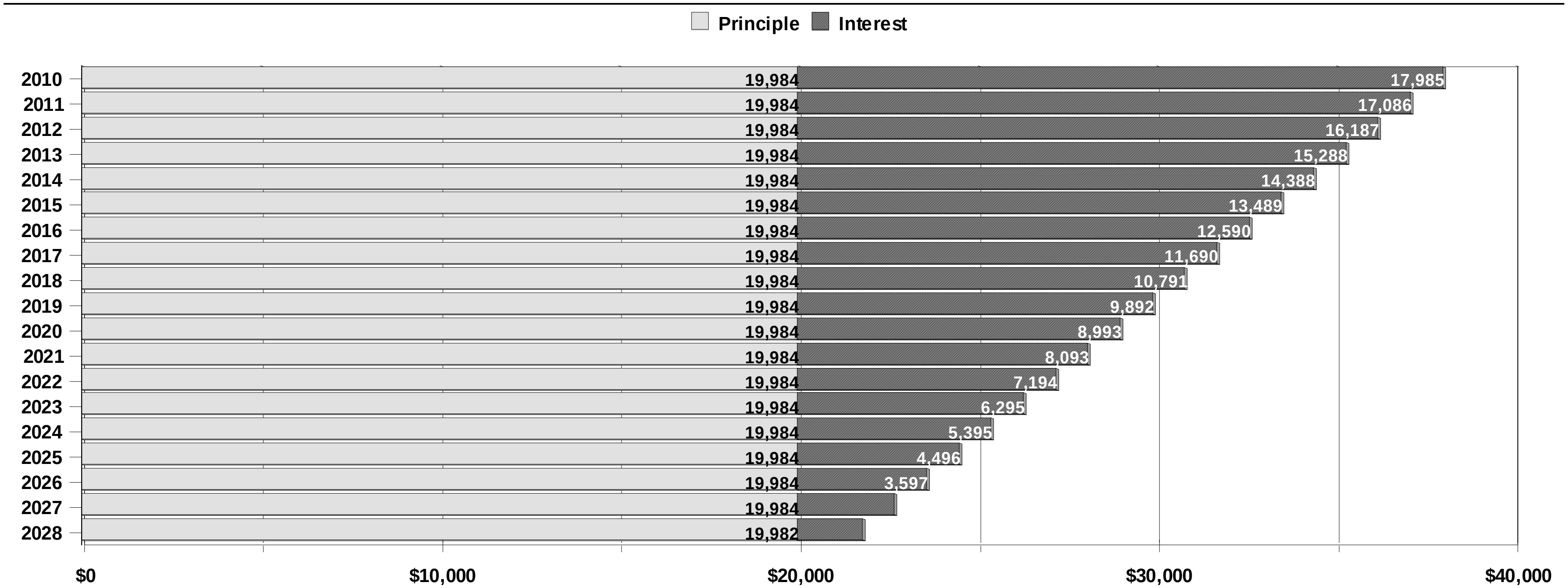


IMPROVEMENT BONDS (CONCLUDED)

In fiscal year ended June 30, 2005, the County entered into a loan agreement with the United States Department of Agriculture through its Rural Utility Services (RUS) for the Gadsden sewer system connection improvement project. The loan had a principal amount of $479,610. Interest payments are made semi-annually and principal payments are made annually. The amortization schedule has the final payment on January 1, 2029. For fiscal year ending June 30, 2009, the projected loan principal outstanding will be $379,694.

Gadsden Sanitary Sewer Connection Project
RUS Loan – Series 2005
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	4.50%	19,984	17,985	37,969
2011	4.50%	19,984	17,086	37,070
2012	4.50%	19,984	16,187	36,171
2013	4.50%	19,984	15,288	35,272
2014	4.50%	19,984	14,388	34,372
2015-19	4.50%	99,920	58,452	158,372
2020-24	4.50%	99,920	35,970	135,890
2025-28	4.50%	79,934	13,488	93,422
	Total	$ 379,694	$ 188,884	$ 568,538



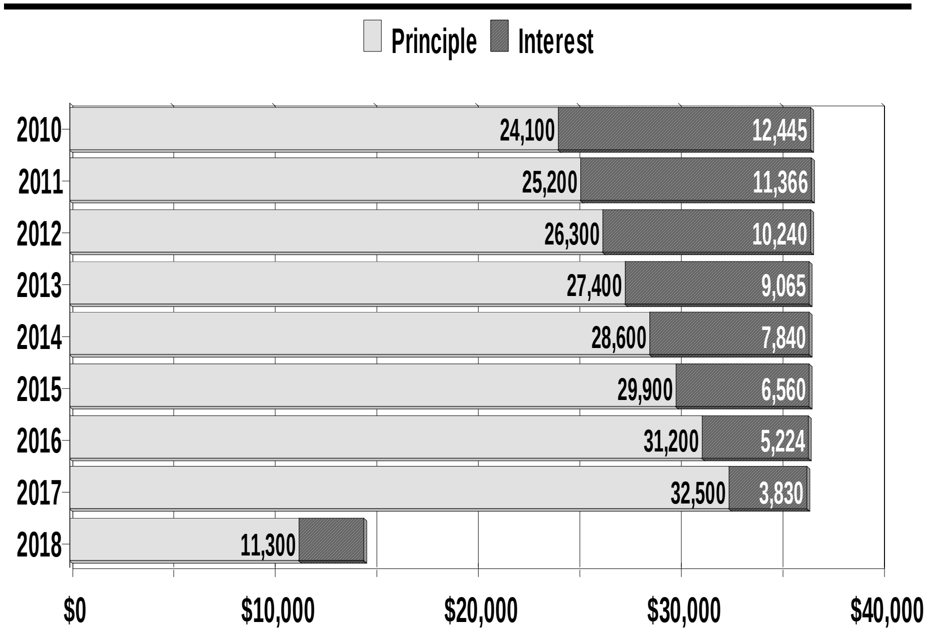
SPECIAL ASSESSMENT BONDS

Special Assessment Bonds, sometimes referred to as District Bonds, fund projects that benefit an isolated group of property owners. They are secured by pledges of revenues from special assessments that are levied against benefiting property located within that specific district. This financing approach optimizes assurance that those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. These bonds are generally callable with interest payable semiannually.

Yuma County currently administers two (2) Improvement District Special Assessment bonds, for fiscal year ending June 30, 2009 the projected aggregate outstanding principal will be $344,226. The proceeds of these bonds were used for construction purposes. These Improvement Districts are accounted for in the Capital Projects and are considered Blended Component Units for financial reporting purposes. However, each is a separate legal entity. The Yuma County Board of Supervisors sits as the Board of Directors of the Improvement Districts.

Donovan Estates Improvement District No. 73-3
Special Assessment Bonds Series 1999
As of June 30, 2009

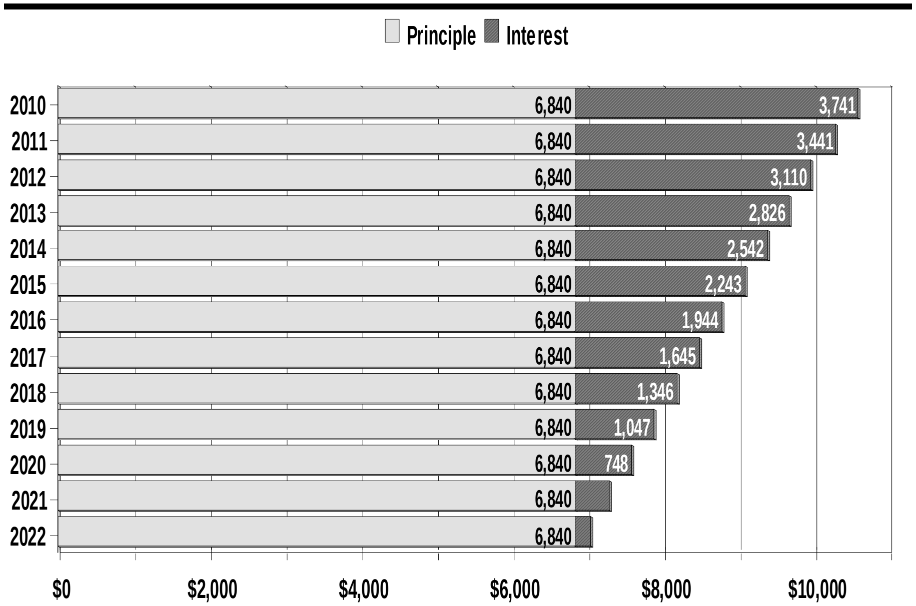
Fiscal Year	Interest Rate	Principle	Interest	Total
2010	4.375%	24,100	12,445	36,545
2011	4.375%	25,200	11,366	36,566
2012	4.375%	26,300	10,240	36,540
2013	4.375%	27,400	9,065	36,465
2014	4.375%	28,600	7,840	36,440
2015-18	4.375%	104,900	18,806	123,706
	Total	$ 236,500	$ 69,762	$ 302,262



SPECIAL ASSESSMENT BONDS

El Prado Estates Improvement District No. 97-10
Special Assessment Bonds Series 2001
As of June 30, 2009

Fiscal Year	Interest Rate	Principle	Interest	Total
2010	4.75%	6,840	3,741	10,581
2011	4.75%	6,840	3,441	10,281
2012	4.75%	6,840	3,110	9,950
2013	4.75%	6,840	2,826	9,666
2014	4.75%	6,840	2,542	9,382
2015-18	4.75%	27,360	7,178	34,538
2019-22	4.75%	27,360	2,449	29,809
	Total	$88,920	$ 25,287	$ 114,207



COMMUNITY FACILITES DISTRICT

Community Facilities Districts are formed under Arizona Revised Statutes chapter 48 as a special taxing district. They are allowed to issue debt to undertake major construction projects. They may issue GO bonds or Special Assessment Bonds. Most of these districts also form an improvement district which allows for dedicated special assessments for operations and maintenance of their facilities.

There are currently no Community Facilities Districts in the County that the County Board of Supervisors sits as the CFD Board of Directors.

CERTIFICATES OF PARTICIPATION

Certificates of Participations (COP) represent proportionate interests in semiannual lease payments. Participation in the lease is sold in the capital markets. This is a lease-purchase type of capital financing. The obligations listed under COP does not represent the legal debt to the County, they are subject to annual appropriation to meet payments for that purpose. Rating agencies typically give COP issues a grade below that of General Obligation Bonds. A.R.S. Title 11, Chapter 2, Article 4, SS11-251, Paragraph 46, provides that repayment for lease-purchase real property and improvements for real property be made within twenty five years. Final repayment longer than 15 years can only be established on unanimous approval by the Board of Supervisor's.

During the year ended June 30, 2000, the County issued $4,405,000 in certificates of participation with an interest rate of 4.0-5.4 percent to purchase office facilities. Interest on the obligations is payable semiannually. The certificates are payable primarily from semiannual lease payments pursuant to the lease-purchase agreement dated November 1, 1999. Certificates called on or after July 1, 2008 can be redeemed at face value. The certificate of participation resolution also requires the County to use a portion of the proceeds to establish and maintain a reserve fund, which the County has done by placing $440,500 of the proceeds in an escrow account in the custody of a trustee.

For fiscal year ending June 30, 2008, the principal outstanding was $1,345,000. This COP was to mature July 1, 2012 and was funded primarily from the General Fund with $125,000 annual contribution from Adult Probation State funding sources. The County Board of Supervisors decided to use available monies from the Capital Sales Taxes collected to call and retire the bonds in their entirety during Fiscal Year 09.

LEASE PURCHASE

Lease Purchases are issued to raise money that will be used to acquire or construct a building or project. The building and property usually serve as collateral. The property is leased to the county on a short-term, renewable basis.

Lease Purchase financing provides long-term financing through a lease (with a mandatory purchase provision). This method does not constitute indebtedness under a state or local government's constitutional debt limit and does not require voter approval. In a lease purchase transaction, the asset being financed can include new capital asset needs or assets under existing lease agreements.

CAPITAL AND OPERATING LEASE

Capital and operating leasing is generally used for major equipment. It is similar to rent, but usually has an option to purchase at the end of the lease.

There are two categories of leases: Capital and Operating. To be considered a Capital Lease, any one of the following criteria defines the character of the lease agreement:

1) The lease transfers ownership of the property at the end of the lease term.
2) The lease has a bargain purchase option.
3) The lease term is equal to 75% or more of the estimated life of the property.
4) The present value of the minimum lease payments equals 90% or more of the fair value of the property.

If a lease does not meet any of the above criteria, then it is not a Capital lease, but an Operation lease. An operating lease does not require a capitalization of minimum lease payments, nor does the county record an asset or a liability. This lease is classified as rental expenditures.

PAY-AS-YOU-GO

Pay-as-you-go financing is paying for capital projects with the County's current or one-time in nature revenue base. This method requires an annual appropriation to continue a project that is in progress. This method provides greater flexibility in the budget, since the project funding can be increased or reduced in any given year. It also avoids interest payments on bond issuances and does not create a set debt service schedule that needs to be met. The disadvantage of this method of financing is that only existing residents pay for the improvements that will benefit new residents that relocate after the expenditures have been made. The projects funded this way also could potentially be slowed in the construction process as it awaits year-to-year appropriations.

INTERFUND LOANS

Interfund Borrowing is when one fund of a government loans assets to another fund of the same government. These loans are generally interest free and are repaid within one fiscal year.